



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JOHN D. CHERRY, JR.
LT. GOVERNOR

April 10, 2008

The Honorable Henry M. Paulson, Jr.
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Ave, NW
Washington, DC 20220

The Honorable Margaret Spellings
Secretary of Education
U.S. Department of Education
400 Maryland Ave, SW
Washington, DC 20202

Dear Secretary Paulson and Secretary Spellings:

I am writing to express my great concern that strains on our capital markets could threaten the availability of student loans to tens of thousands of college students in Michigan. As Governor, making college affordable and accessible to all residents is one of my top priorities and is critical to realizing Michigan's economic recovery.

Earlier this year illiquidity in the auction rate securities market led the Michigan Higher Education Student Loan Authority (MHESLA) to suspend its alternative loan program. MHESLA now anticipates this problem will soon force it to suspend its participation in the Federal Family Education Loan Program (FFELP). Michigan's situation is not unique. A number of other states have been forced to curtail their financing of student loans because of unstable market conditions. Although Michigan's role in this program is primarily to purchase student loans from banks to make additional capital for future loans available, the broader, long-term impact of the nation's credit situation on student loans is a critical issue.

While college students in Michigan continue to have access to other loan options today, the failure to address this problem at the federal level could, in the near future, restrict the availability of student loans in my state and others. If entities like MHESLA are to continue their critical role in ensuring the availability of both FFELP and low cost alternative loans, it is imperative that steps be taken at the federal level to provide the liquidity necessary for MHESLA and other state agencies and not-for-profits to once again access the capital markets. I hope that you will encourage federal financing institutions to use their existing authority and help stabilize the market before a crisis ensues.

Secretary Paulson and Secretary Spellings

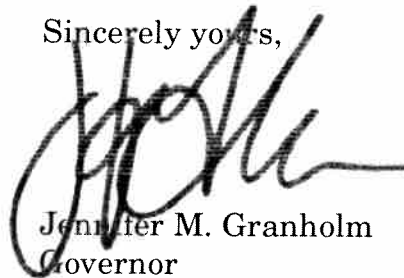
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Secretary Spellings, I understand that you recently expressed concern about market conditions and their effect on student loans and is planning to meet soon with guaranty agencies to discuss implementation of the "Lender-of-Last-Resort" program. I applaud those discussions.

Additionally, I appreciate the attention members of Congress are beginning to pay to this problem and hope that a federal solution that eases the liquidity concerns in this aspect of the market is supported and implemented quickly.

Sincerely yours,

A handwritten signature in black ink, appearing to read "J. Granholm", with a long horizontal flourish extending to the right.

Jennifer M. Granholm
Governor

cc: Michigan Congressional Delegation